

**VILLAGE OF KINDE
KINDE, MI
HURON COUNTY**

**FINANCIAL REPORT
JANUARY 31, 2008**

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
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Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended

Unit Name	Village of Kinde	County	HURON	Type	VILLAGE	MuniCode	32-3-030
Opinion Date-Use Calendar	Jul 17 2008	Audit Submitted-Use Calendar	Jul 22 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 239,095.00
General Fund Expenditure:	\$ 208,453.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 392,008.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Kristy	Last Name	Schulze	Ten Digit License Number			1101025896
CPA Street Address	1223 S. State Street Ste A	City	Alpena	State MI	Zip Code 49707	Telephone +1 (989) 354-8707	
CPA Firm Name	Johnson & Schulze PC	Unit's Street Address	1223 S. State St Ste A	City	Alpena	LU Zip	49707

Independent Auditor's Report

To the Village Board
Village of Kinde
Kinde, MI 48445

We have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Kinde as of and for the year ended January 31, 2008, which collectively comprise the basic financial statements of the Village of Kinde's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Kinde as of January 31, 2008, and the respective changes in financial position and cash flows, where applicable of those activities and funds and the budgetary comparison for the general fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2008 on our consideration of the Village of Kinde internal control over financial reporting and on our

tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Kinde's basic financial statements. The accompanying combined and individual financial statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying required supplemental and other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The combined and individual financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Johnson & Schulze, P.C.
July 17, 2008

VILLAGE OF KINDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
January 31, 2008

This annual report of the Village of Kinde presents a series of financial statements in a narrative overview and analysis of the financial activities for the fiscal year ended January 31, 2008. This analysis focuses on the Village's financial performance as a whole. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Village of Kinde's general fund exceeded liabilities at January 31, 2008. Of this amount, \$382,491 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's net assets increased by \$9,731 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Village as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Village's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenditures, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Village's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Village's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Village, additional factors such as tax base changes, facility conditions, and personnel changes may be considered.

Both of the government-wide financial statements distinguish functions of the Village of Kinde that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government & public works. The business type activities represent the sewer operating system.

VILLAGE OF KINDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
January 31, 2008

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two kinds:

Governmental Funds

The Governmental Funds account for most of the Village's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Government funds include the General Fund; Special Revenue Funds include the Major Street and Local Street funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

The Village of Kinde adopts an annual appropriated budget for its General and Special Revenue Funds. A budgetary comparison statement has been provided herein to demonstrate compliance with the budget process.

Proprietary Funds

The Proprietary Fund accounts for the Village's enterprise fund. This fund reports services for which the Village charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Village of Kinde is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

VILLAGE OF KINDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
January 31, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets serve over time as a useful indicator of a government's financial position. The following analysis shows the changes of the Village of Kinde's total net assets at January 31, 2008 and 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	\$ 504,872	\$ 500,082	\$ 234,999	\$ 218,549	\$ 739,871	\$ 718,631
Capital Assets net of Accumulated Depreciation	41,177	59,995	246,707	239,270	287,884	299,265
Total Assets	546,049	560,077	481,706	457,819	1,027,755	1,017,896
LIABILITIES						
Current liabilities	4,418	4,291	1,739	1,738	6,157	6,029
Long-term liabilities	-	-	-	-	-	-
Total Liabilities	4,418	4,291	1,739	1,738	6,157	6,029
NET ASSETS						
Invested in capital assets net of related debt	41,177	59,995	-	-	41,177	59,995
Depreciation Transferred from Operations	-	-	(167,572)	(167,572)	(167,572)	(167,572)
Contributions in Aid	-	-	225,488	225,488	225,488	225,488
Unrestricted	500,454	495,791	422,051	398,165	922,505	893,956
Total Net Assets	\$ 541,631	\$ 555,786	\$ 479,967	\$ 456,081	\$ 1,021,598	\$ 1,011,867

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Village of Kinde completed its year, its governmental funds reported a total fund balance of \$509,971 which is more than the \$495,791 total fund balance at January 31, 2007.

- The General Fund, the operating fund for the Village of Kinde, ended the fiscal year with a \$392,008 fund balance, compared to the prior year ending fund balance of \$365,826. The Village built a greater fund balance due to less expenditures for the purpose of anticipating unforeseen future expenses.

VILLAGE OF KINDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
January 31, 2008

- Major Street Fund balance increased by \$42,358.
- Local Street Fund balance decreased by \$54,361.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Sewer Fund, which accounts for the operation and maintenance of the Village's sanitary sewer system, ended the year with a \$479,967 net asset balance compared to the prior year ending net asset balance of \$456,081.

BUDGETARY HIGHLIGHTS

During the year ended January 31, 2008, the Village amended the budget several times. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to cover unplanned expenditures, which exceeded amounts originally anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Village's investment in capital assets represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$41,177 (net of accumulated depreciation) at January 31, 2008. Capital assets for business-type activities totaled \$246,707 (net of accumulated depreciation) at January 31, 2008. See the notes to the financial statements for more information about the Village's capital assets.

ECONOMIC FACTORS

Our elected officials consider many factors when setting the Village's budget for the year ended January 31, 2008. One of the most important factors affecting the budget is the State of Michigan's economy. As a result, there was a decrease in state shared revenues for the year ended January 31, 2008.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and operating activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Kinde, 405 Main Street, Kinde, MI 48445.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Government Wide Statement of Net Assets
January 31, 2008**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Investments	\$ 485,115	\$ 223,635	\$ 708,750
Accounts Receivable	13,061	11,364	24,425
Prepaid Insurance	4,957	0	4,957
Due From Other Governmental Units	1,739	0	1,739
Total Current Assets	<u>504,872</u>	<u>234,999</u>	<u>739,871</u>
Property and Equipment			
Property and Equipment	295,730	801,059	1,096,789
Less Accumulated Depreciation	(254,553)	(554,352)	(808,905)
Net Property and Equipment	<u>41,177</u>	<u>246,707</u>	<u>287,884</u>
Total Assets	546,049	481,706	1,027,755
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	2,259	0	2,259
Accrued Payroll and Taxes	2,159	0	2,159
Due To Other Governmental Units	0	1,739	1,739
Total Current Liabilities	<u>4,418</u>	<u>1,739</u>	<u>6,157</u>
Long - Term Liabilities	0	0	0
Total Liabilities	<u>4,418</u>	<u>1,739</u>	<u>6,157</u>
Net Assets			
Invested in capital assets net of related debt	41,177	0	41,177
Unrestricted	500,454	422,051	922,505
Depr Transferred from Operations	0	(167,572)	(167,572)
Contributions in Aid	0	225,488	225,488
Total Net Assets	<u>\$ 541,631</u>	<u>\$ 479,967</u>	<u>\$ 1,021,598</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Government Wide Statement of Activities
Year Ended January 31, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
GOVERNMENTAL ACTIVITIES				
General Government	\$ 35,234	\$ -	\$ -	\$ (35,234)
Public Safety	10,964	-	-	(10,964)
Public Works	37,783	-	-	(37,783)
Public Buildings and Grounds	7,606	477	-	(7,129)
Recreation and Culture	1,940	80	-	(1,860)
Sanitation	23,264	24,290	-	1,026
Roads	75,954	32,478	-	(43,476)
Sewer Operations	39,119	36,521	-	(2,598)
Unallocated Depreciation	22,019	-	-	(22,019)
Miscellaneous	82,330	-	-	(82,330)
Total Governmental Activities	<u>\$ 336,213</u>	<u>\$ 93,846</u>	<u>\$ -</u>	<u>\$ (242,367)</u>
General Revenues				
Property Taxes General				90,441
State Revenue Sharing				101,464
Investment Earnings				23,010
Intergovernmental				7,780
Other				8,515
Total General Revenues				<u>231,210</u>
Change in Net Assets (Deficit)				(11,157)
Net Assets Beginning of Year				1,011,867
Prior Period Adjustment				<u>20,888</u>
Net Assets End of Year				<u>\$ 1,021,598</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Governmental Funds Balance Sheet
Year Ended January 31, 2008**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Sewer- Operating</u>	<u>(Memorandum Only)</u>
ASSETS				
Cash and Investments	\$ 362,026	\$ 123,089	\$ 223,635	\$ 708,750
Accounts Receivable	22,578	-	11,363	33,941
Due from Special Revenue Funds	5,126	-	-	5,126
Due from Sewer Fund	1,739	-	-	1,739
Prepaid Insurance	4,957	-	-	4,957
Land, Building, and Equipment - net	-	-	246,708	246,708
TOTAL ASSETS	<u>\$ 396,426</u>	<u>\$ 123,089</u>	<u>\$ 481,706</u>	<u>\$ 1,001,221</u>
LIABILITIES				
Accounts Payable	\$ 2,259	\$ -	\$ -	\$ 2,259
Salaries and Fringes Payable	2,159	-	-	2,159
Due to General Funds	-	5,126	1,739	6,865
TOTAL LIABILITIES	<u>4,418</u>	<u>5,126</u>	<u>1,739</u>	<u>11,283</u>
FUND BALANCES				
Contributions & Grants in aid of Construction	-	-	225,488	225,488
Less Depreciation transferred from operations	-	-	(167,572)	(167,572)
Fund Balances:				
Retained Earnings	-	-	422,051	422,051
Unreserved	392,008	117,962	-	509,970
Total Fund Balances	<u>392,008</u>	<u>117,962</u>	<u>479,967</u>	<u>989,937</u>
Total Liabilities and Fund Balances	<u>\$ 396,426</u>	<u>\$ 123,089</u>	<u>\$ 481,706</u>	<u>\$ 1,001,221</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Combined Statement of Revenue, Expenditures, and Change in Fund Balance
All Fund Types
Year Ended January 31, 2008

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u>
Revenues			
Taxes-Current	\$ 90,441	\$ 32,478	\$ 122,919
State Sources and County Sources	57,449	51,794	109,243
Intergovernmental	46,601	-	46,601
Garbage Collections	24,290	-	24,290
Interest	11,481	4,217	15,698
Miscellaneous Revenue	8,833	-	8,833
Total Revenues	<u>239,095</u>	<u>88,489</u>	<u>327,584</u>
Expenditures			
Legislative	4,535	-	4,535
General Government	30,699	-	30,699
Streets	-	104,492	104,492
Public Buildings and Grounds	7,606	-	7,606
Public Safety	10,964	-	10,964
Public Works	28,326	-	28,326
Recreation	1,940	-	1,940
Garbage	23,264	-	23,264
Other	80,879	-	80,879
Capital Outlay	20,241	-	20,241
Total Expenditures	<u>208,453</u>	<u>104,492</u>	<u>312,945</u>
Excess of Revenues over Expenditures	30,642	(16,003)	14,639
Other Financing Sources (Uses)			
Operating Transfers In	-	27,739	27,739
Operating Transfers Out	(4,459)	(23,739)	(28,198)
Total Other Financing Sources (Uses)	<u>(4,459)</u>	<u>4,000</u>	<u>(459)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>26,183</u>	<u>(12,003)</u>	<u>14,180</u>
Fund Balance Beginning of Year	<u>365,826</u>	<u>129,965</u>	<u>495,791</u>
Fund Balance End of Year	<u>\$ 392,008</u>	<u>\$ 117,962</u>	<u>\$ 509,971</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
PROPRIETARY FUND TYPE - SEWER OPERATING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS BUDGET AND ACTUAL
Year Ended January 31, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
OPERATING REVENUES			
Sewer Fees	\$ 50,600	\$ 36,521	\$ (14,079)
Interest	4,700	7,550	2,850
Total Operating Revenues	<u>55,300</u>	<u>44,071</u>	<u>(11,229)</u>
OPERATING EXPENSES			
Wage Reimbursements	-	9,625	9,625
Bookkeeping Wages	1,000	-	(1,000)
Collection Expense-Office Supplies	700	443	(257)
Materials-Maintenance	4,000	2,023	(1,977)
Insurance	100	-	(100)
Utilities	1,500	1,167	(333)
Equipment Repairs	5,000	3,015	(1,985)
Depreciation	12,000	12,648	648
Miscellaneous	500	36	(464)
Equipment Rental	8,500	8,437	(63)
Membership and Dues	400	-	(400)
Bank Charges	250	-	(250)
Schooling, Mileage, etc.	2,000	662	(1,338)
Professional Fees	2,700	2,673	(27)
Office Supplies	100	-	(100)
Total Operating Expenses	<u>38,750</u>	<u>40,730</u>	<u>1,980</u>
OPERATING INCOME (LOSS)	16,550	3,341	(13,209)
TRANSFERS			
Operating Transfers In	-	459	459
CHANGE IN NET ASSETS	<u>\$ 16,550</u>	<u>\$ 3,801</u>	<u>\$ (12,749)</u>
CHANGE IN NET ASSETS		3,801	
RETAINED EARNINGS BEGINNING OF YEAR		398,165	
PRIOR PERIOD ADJUSTMENT		<u>20,085</u>	
RETAINED EARNINGS END OF YEAR		<u>\$ 422,051</u>	

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Reconciliation of Balance Sheet of Government Funds
To Statement of Net Assets
Year Ended January 31, 2008**

Fund Balances Total Governmental Funds	\$ 989,937
Amounts reported for governmental activities in the state of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital Assets at Cost	295,730
Less Accumulated Depreciation	(264,069)
Accrued Interest on debt is not recorded in governmental funds until it is paid	
Accrued Interest Payable Beginning of Year	0
Accrued Interest Payable End of Year	0
Other	0
Net Assets of Governmental Activities	<u><u>\$ 1,021,598</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances To The Statement of Activities
Year Ended January 31, 2008**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 14,180
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated lives as depreciation:	
Depreciation Expense	(24,690)
Capital Assets purchased capitalized	20,241
Accrued Interest on long-term debt is recorded in the statement of activities when incurred it is not recorded in governmental funds until it is paid	
Accrued Interest Payable Beginning of Year	-
Accrued Interest Payable End of Year	-
Other	-
Proceeds and repayments of principal on long-term debt are revenues and expenditures in the government funds, but not in the statement of activities	
Proceeds from new Debt	-
Prior period adjustment-See Note #14	(20,888)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ (11,157)</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Proprietary Fund Type Sewer Operating Fund
Statement of Cash Flows
For the Year Ended January 31, 2008**

Cash Flows From Operating Activities

Income (Loss)	\$ 3,801
Adjustments to reconcile Income	
(Loss) from operations to net Cash provided by (used in) operating activities:	
Depreciation	12,648
(Increase)/Decrease in Accounts Receivable	5,290
Net Cash Provided By (Used in) Operating Activities	21,739

Cash Flows From Investing Activities

Interest on Investments	7,550
Net Cash Provided By (Used in) Investing Activities	7,550

Cash Flows From Financing Activities

Proceeds from the sale of capital assets	-
Net Cash Provided By (Used in) Capital and Related Activities	-

Net Increase (Decrease) in Cash and Cash Equivalents **29,289**

Cash and Cash Equivalents Beginning of Year **194,346**

Cash and Cash Equivalents End of Year **\$ 223,635**

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Notes to Financial Statements
January 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

REPORTING ENTITY

The Village of Kinde is located in Huron County, Michigan. The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN**
Notes to Financial Statements
January 31, 2008

Other Non-Major Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

Items reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Notes to Financial Statements
January 31, 2008

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g. labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Notes to Financial Statements
January 31, 2008**

the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives.

NOTE 2 - COMPENSATED ABSENCES (SICK AND VACATION LEAVE)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

NOTE 3 - LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 4 - FUND EQUITY

In the fund financial statements, governmental fund report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 5 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year has not been presented in the fund financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN**
Notes to Financial Statements
January 31, 2008

NOTE 6 - ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

NOTE 7 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

NOTE 8 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All Annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

Accumulated Fund Deficits

The Village did not have any accumulated fund balance/retained earnings deficits in any individual funds as of January 31, 2008.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Notes to Financial Statements
January 31, 2008

NOTE 9 - DEPOSITS AND INVESTMENTS

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$132,183 and the bank balance was \$152,063.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of January 31, 2008, the Government investments consisted of certificates of deposits, which the carrying amount and the bank balance was \$576,567.

The total Government cash and investments amounted to \$708,750 as of January 31, 2008 and \$265,698 was covered by Federal Depository Insurance

NOTE 10 - RECEIVABLES

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFITS SYSTEMS

The Village of Kinde participates in a plan by the Municipal Employees' Retirement System (MERS), which is administered by the State of Michigan. The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.5 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA5.333(a)); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No.427 of the Public Acts of 1984, section of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statement and required supplementary information for the systems. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48947-9755.

The employee of the Village of Kinde contributes 5% of his gross wages to the retirement plan. For the fiscal year ended January 31, 2008, \$1,367 was contributed by the employee and \$9,007 was contributed by the Village to MERS.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN**
Notes to Financial Statements
January 31, 2008

The following information is based on the actuarial accrued liability as of December 31, 2007, which is the most recent period for which actuarial information was available. The actual unfunded portion as of the Village's fiscal year end of January 31, 2008 is \$103,686, per MERS.

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$178,732
Terminated employees (vested former members) not yet receiving benefits	0
Non-vested terminated employees (pending refund of accumulated Member contributions)	0
Current employees-	
Accumulated employee contributions including allocated investment income	4,957
Employer financed	5,175
Total Actuarial Accrued Liability	\$188,864
Net Assets Available for Benefits at Actuarial Value	87,764
(Market Value is \$88,788)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$101,100
Fiscal Year Beginning	February 1, 2009
Annual Required Contribution (ARC)	\$6,408*
Amortization Factor Used – Underfunded Liabilities (28 years)	0.055889

*Based on valuation payroll. For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning February 1, 2009) times the computed employer contribution rate(s). The ARC shown here is the sum of the ARC's calculated separately for each division.

NOTE 12 - TRANSFERS

The General Fund transferred \$4,000 to the Local Street Fund.

The Major Street Fund transferred \$7,500 to the Local Street Fund. All transfers are shown in their respective funds.

NOTE 13 - CONTINGENT LIABILITIES

Contingent Liability – Unemployment Compensation Costs

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Notes to Financial Statements
January 31, 2008

Contingent Liability – Environmental Clean Up

The Village has retained legal representation regarding a leaking underground storage tank on the Village Hall property. The Village maintains that the release is attributable to prior owners and operators of the property and that it is not responsible for cleaning up the release under state law. The Michigan Department of Environmental Quality has not, as of this point, concurred with the Village's position. The law firm representing the Village has stated that they are unable to make an evaluation of the likelihood of any unfavorable outcome or make an estimate of the amount or range of potential loss. Because it is not possible to make an estimate or predict the likelihood of loss, there has been no liability accrued in the financial statements for this contingent liability.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

The financial statements contain a prior period adjustment increasing fund equity by \$20,888 due to accumulated depreciation being overstated in a prior year.

Note 15 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims.

Required Supplemental Information

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Budgetary Comparison Schedule
General Fund
Year Ended January 31, 2008**

	<u>General Fund</u>			<u>Variance Actual Compared to Final</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Taxes-Current	\$ 115,000	\$ 115,000	\$ 90,441	\$ (24,559)
State Sources	50,000	50,000	57,449	7,449
Intergovernmental	51,500	51,500	46,601	(4,899)
Garbage Collections	21,000	21,000	24,290	3,290
Other	4,750	4,750	8,833	4,083
Interest	5,000	5,000	11,481	6,481
Total Revenues	<u>247,250</u>	<u>247,250</u>	<u>239,095</u>	<u>(8,155)</u>
Expenditures				
Legislative	6,500	6,500	4,535	1,965
General Government	66,962	67,562	30,699	36,863
Public Buildings and Grounds	11,700	16,800	7,606	9,194
Public Safety	16,000	16,000	10,964	5,036
Public Works	38,300	49,850	28,326	21,524
Recreation	9,800	9,800	1,940	7,860
Garbage	21,000	22,000	23,264	(1,264)
Other	26,600	26,600	80,879	(54,279)
Capital Outlay	15,000	15,000	20,241	(5,241)
Total Expenditures	<u>211,862</u>	<u>230,112</u>	<u>208,453</u>	<u>21,659</u>
Excess of Revenues over Expenditures	<u>35,388</u>	<u>17,138</u>	<u>30,642</u>	<u>13,504</u>
Other financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers out	(35,000)	(35,500)	(4,459)	31,041
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(35,500)</u>	<u>(4,459)</u>	<u>31,041</u>
Excess of Revenues and Other Over (Under) Expenditures and Other Uses	<u>\$ 388</u>	<u>\$ (18,362)</u>	<u>26,183</u>	<u>\$ 44,545</u>
Fund Balance at Beginning of Year			<u>365,826</u>	
Fund Balance at End of Year			<u>\$ 392,008</u>	

The accompanying notes are an integral part of the financial statements.

Additional Supplemental Information

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Special Revenue Funds
Combined Balance Sheet
January 31, 2008

	<u>Local Street Fund</u>	<u>Major Street Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 13,661	\$ 109,427	\$ 123,088
Total Current Assets	<u>13,661</u>	<u>109,427</u>	<u>123,088</u>
Total Assets	<u>13,661</u>	<u>109,427</u>	<u>123,088</u>
Liabilities and Fund Equity			
Current Liabilities			
Due to General Fund	<u>1,869</u>	<u>3,257</u>	<u>5,126</u>
Total Current Liabilities	<u>1,869</u>	<u>3,257</u>	<u>5,126</u>
Total Liabilities	<u>1,869</u>	<u>3,257</u>	<u>5,126</u>
Fund Equity			
Unreserved	<u>11,792</u>	<u>106,170</u>	<u>117,962</u>
Total Liabilities and Fund Equity	<u>\$ 13,661</u>	<u>\$ 109,427</u>	<u>\$ 123,088</u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended January 31, 2008**

	<u>Local Street</u>		<u>Variance</u>	<u>Major Street</u>		<u>Variance</u>	<u>Total</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
Revenues							
Gas and Weight Tax	\$ 9,886	\$ 9,000	\$ 886	\$ 34,129	\$ 33,000	\$ 1,129	\$ 44,015
Current Tax Levy	16,239	16,000	239	16,239	16,000	239	32,478
County Tax	7,779	7,000	779	-	-	-	7,779
Interest	313	150	163	3,904	1,500	2,404	4,217
Total Revenues	<u>34,217</u>	<u>32,150</u>	<u>2,067</u>	<u>54,272</u>	<u>50,500</u>	<u>3,772</u>	<u>88,489</u>
Expenditures							
Construction	61,074	57,100	(3,974)	-	9,000	9,000	61,074
Maintenance	4,575	13,900	9,325	6,945	17,200	10,255	11,519
Professional Fees	11,700	11,700		600	1,500	900	12,300
Equipment Rental	6,490	6,500	10	13,109	14,000	891	19,598
Total Expenditures	<u>83,839</u>	<u>89,200</u>	<u>5,361</u>	<u>20,654</u>	<u>41,700</u>	<u>21,046</u>	<u>104,491</u>
Excess Revenues over							
Expenditures	<u>(49,622)</u>	<u>(57,050)</u>	<u>7,428</u>	<u>33,618</u>	<u>8,800</u>	<u>24,818</u>	<u>(16,002)</u>
Other Financing Sources (Uses)							
Transfers From General Fund	4,000	4,000	-	-	15,000	-	4,000
Transfers To (From) Major Street Fund	23,739	7,500	-	(23,739)	(7,500)	-	-
Total Other Financing Sources (Uses)	<u>27,739</u>	<u>11,500</u>	<u>-</u>	<u>(23,739)</u>	<u>7,500</u>	<u>-</u>	<u>4,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(21,883)</u>	<u>\$ (45,550)</u>	<u>\$ 7,428</u>	<u>9,879</u>	<u>\$ 16,300</u>	<u>\$ 24,818</u>	<u>(12,002)</u>
Fund Balance Beginning of Year	<u>33,675</u>			<u>96,290</u>			<u>129,965</u>
Fund Balance End of Year	<u>\$ 11,792</u>			<u>\$ 106,169</u>			<u>\$ 117,963</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
General Fund
Schedule of Revenues Actual and Budget
Year Ended January 31, 2008**

			<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues	<u>Actual</u>	<u>Budget</u>	
Current Taxes	\$ 90,441	\$ 115,000	\$ (24,559)
Sales Tax	57,449	50,000	7,449
Equipment Rental - Local Street	6,490	6,000	490
Equipment Rental - Major Street	13,109	14,000	(891)
Equipment Rental Sewer Operation	8,437	8,000	437
Wage Reimb Sewer Operation	9,625	12,000	(2,375)
Wage Reimb Local Street	4,054	5,000	(946)
Wage Reimb Major Street	4,886	6,500	(1,614)
Garbage Collections	24,290	21,000	3,290
Interest on Delinquents	239	-	239
Park Rent	80	200	(120)
Building Permits	45	50	(5)
Fines & Forfeits	432	500	(68)
Interest on Investments	11,242	5,000	6,242
State of Mich-Meto	2,008	-	2,008
Zoning Fees	384	200	184
Other Revenue	5,884	3,000	2,884
Two Donations- Park Const	-	800	(800)
Total Revenues	<u>\$ 239,095</u>	<u>\$ 247,250</u>	<u>\$ (8,155)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
General Fund
Schedule of Expenditures Actual and Budget
Year Ended January 31, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Legislative			
Legislative-Council Fees	\$ 4,535	\$ 6,500	\$ 1,965
Total Legislative	<u>\$ 4,535</u>	<u>\$ 6,500</u>	<u>\$ 1,965</u>
General Government			
Gen. Gov. Elections	\$ 809	\$ 1,000	\$ 191
Gen. Gov. Clerical	12,558	13,000	442
Gen. Gov. Ambulance	1,605	2,000	395
Gen. Gov. Clerk	1,605	1,700	95
Gen. Gov. Office Supplies	944	1,300	356
Gen. Gov. Telephone	1,308	1,800	492
Gen. Gov. Professional Fees	2,895	6,000	3,105
Gen. Gov. Zoning	490	2,000	1,510
Gen. Gov. Treasurer	4,777	5,000	223
Gen. Gov. Tax Collection	632	1,200	569
Gen. Gov. Assessor	-	12	12
Gen. Gov. Membership & Dues	626	900	274
Gen. Gov. Ordinances	-	50	50
Gen. Gov. Other Exp	1,916	2,000	84
Gen. Gov. Bank Charges	314	400	86
Gen. Gov. Office Furniture	30	500	470
Gen. Gov. Computer Supplies	190	2,000	1,810
Total General Government	<u>\$ 30,699</u>	<u>\$ 40,862</u>	<u>\$ 10,163</u>
Public Buildings and Grounds			
Bldg & Grnd Maint. Salaries	\$ -	\$ 10,100	\$ 10,100
Bldg & Grnd Supplies	661	1,500	839
Bldg & Grnd Heat, Light, Sewer	3,419	4,000	581
Bldg & Grnd Garbage Pickup	114	200	86
Bldg & Grnd Tools	815	1,000	185
Bldg & Grnd Maintenance Expense	2,597	-	(2,597)
Total Public Buildings and Grounds	<u>\$ 7,606</u>	<u>\$ 16,800</u>	<u>\$ 9,194</u>
Public Safety			
Safety Salaries	\$ 8,743	\$ 12,000	\$ 3,258
Safety Auto Maint. & Operation	1,013	2,000	987
Safety Supplies	373	500	127
Safety Other	411	1,000	589
Safety Uniforms	425	500	75
Total Public Safety	<u>\$ 10,965</u>	<u>\$ 16,000</u>	<u>\$ 5,036</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
General Fund
Schedule of Expenditures Actual and Budget
Year Ended January 31, 2008**

(CONTINUED FROM PREVIOUS PAGE)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Public Works			
Public Works Street Lighting	\$ 11,481	\$ 12,000	\$ 519
Public Works Christmas Decoration	2,143	3,000	857
Public Works Equipment Maint.	7,468	7,500	32
Public Works Gas & Oil	4,881	5,000	119
Public Works Supplies	877	2,000	1,123
Public Works Salaries & Wages	-	9,000	9,000
Public Works Construction	261	10,000	9,739
Public Works Uniforms	613	700	87
Public Works Telephone	603	650	47
Total Public Works	<u>\$ 28,327</u>	<u>\$ 49,850</u>	<u>\$ 21,523</u>
Recreation			
Recreation Salaries & Wages	\$ -	\$ 4,000	\$ 4,000
Recreation Repairs & Maintenance	934	1,500	566
Recreation Supplies	291	400	109
Recreation Electricity	379	600	221
Recreation Supplies & Materials	-	500	500
Recreation Sewer	336	600	264
Recreation Insurance	-	200	200
Recreation Construction	-	2,000	2,000
Total Recreation	<u>\$ 1,940</u>	<u>\$ 9,800</u>	<u>\$ 7,860</u>
Other			
Park Rent Refunds	\$ 60	\$ 400	\$ 340
General Fund Salaries	43,365	43,000	(365)
Other Insurance	9,446	11,000	1,554
Other Employee Benefit FICA	4,686	4,800	114
Other Employee Benefit Retirement	5,633	7,000	1,367
Other Employee Benefit Health	12,566	14,000	1,434
Employee Benefit Medicare Portion FICA	1,096	1,500	404
Taxes Unemployment	111	300	189
Drain at Large	2,202	6,000	3,798
Garbage Expense	23,264	22,000	(1,264)
Garbage Bookkeeping	-	1,000	1,000
Testing Contaminated Waste	1,775	3,000	1,226
Total Other	<u>\$ 104,204</u>	<u>\$ 114,000</u>	<u>\$ 9,797</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
General Fund
Schedule of Expenditures Actual and Budget
Year Ended January 31, 2008**

(CONTINUED FROM PREVIOUS PAGE)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Capital Outlay			\$ -
Capital Outlay	\$ 20,241	\$ 15,000	\$ (5,241)
Total Capital Outlay	<u>\$ 20,241</u>	<u>\$ 15,000</u>	<u>\$ (5,241)</u>
Transfers			\$ -
Transfer to Local Street Taxes	\$ -	\$ 30,000	\$ 30,000
Transfer to Local Street	-	4,000	4,000
Transfer to Vehicle Replacement	-	1,000	1,000
Transfer to Sewer	459	500	41
Transfer to Local Street Construction	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total Transfers	<u>\$ 4,459</u>	<u>\$ 35,500</u>	<u>\$ 31,041</u>
Total Expenditures	<u>\$ 212,976</u>	<u>\$ 265,612</u>	<u>\$ 52,636</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF KINDE
HURON COUNTY, MICHIGAN
Tax Collection Agency Fund
Schedule of Changes
Year Ended January 31, 2008**

Additions

Current Tax Collections	\$ 104,540
Total Additions	<u>104,540</u>

Deductions

Tax Collections Operating	(75,884)
Tax Collections Streets	(27,594)
Administrative fees	<u>(1,062)</u>

Net Additions over Deductions	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of the financial statements.

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To the Village Board
Village of Kinde
Kinde, MI 48445

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Kinde as of and for the year ended January 31, 2008, which collectively comprise the Village of Kinde's basic financial statements and have issued our report thereon dated July 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 12, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Kinde are described in Note 1 to the financial statements. No new policies were adopted and the application of the existing policies was not changed during the fiscal year. We noted no transactions entered into by the Village of Kinde during the year for which there is a lack of authoritative guidance of consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Village of Kinde's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter associated with the audit for the year ended January 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Kinde's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Village of Kinde as of and for the year ended January 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Kinde's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the

effectiveness of the Village of Kinde's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we would consider to be a significant deficiency or a material weakness, as defined below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of the Village Board of the Village of Kinde and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Johnson & Schulze, PC
July 17, 2008